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Assessment of Efficiency and Effectiveness of Micro Credit Application From Socio-Economic and Political Perspectives: The Case of Hakkari

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Abstract

Micro-credit seems as a financial tool that allows people with low-income particularly women to start their own business and do income -generating activities. In Hakkari, one of the cities whose employment rate is low, micro-credit programs continues. In order to reduce unemployment rate, poverty and inequality in income distribution, micro-credit applications aim to encourage people with low-income, especially women, who are too poor to get a credit from banks or some other ways to do income-generating activities, to meet their financial needs in an effort to ensure their participation into economic and social development. From this point of view, what socio-economic and political consequences of micro-credit applied in Hakkari are is an important question in respect of effectiveness and efficiency. In this study, socio-economic and political consequences of these applications in Hakkari case are evaluated in terms of effectiveness and efficiency.

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1. Introduction

Yunus, an economics professor from Bangladesh, is generally considered to be the founder of micro-credit term. Yunus went to a local village to look essential solutions for poverty. He met a woman called Sufyia who produced and sold chairs to support her family. In order to buy materials, he trusted high-interest-rate credits of moneylenders from village. Because of the severe terms of her severe credits, she had no chance to improve her condition. Yunus recognized that Sufyia's situation was not a unique one, so he lent 856 taka – about 27 U.S. dollars - to 42 microenterprise owners. The loan recipients both did not pay back their credits immediately and manage to earn more income and grow their businesses. From this first experience he noticed “ If I manage to make so many people

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with such a tiny amount of money, why not do more of it?” (www.ldsjobs.org/ers/ct/articles/basics-of-microcredit?lang=eng)

Yunus stated the aim of micro-credit as delivering credits with an easy payment to anyone who has an idea to manufacture even with low amounts and generating credits for anyone to pay back easily (Chavan and Ramakumar, 2002). In this context, micro-credit can be defined as delivering low amount and unsecured credits of Graamen Bank to poor family members within the group to start their own business and generate incomes (Rahman, 1999). Who makes this is called as microenterpriser (Hulme, 1998).

This ongoing movement for about 40 years has been applied as a credit system especially for women. While the number of customers receiving loans in 2007 is 133.030.913, 92.922.574 of these contains women. The total number affected by the credit covers 464,6 millions people with their families. (Devlet Mikrokredi Zirvesi Kampanya Raporu, 2007).

In cooperation with Prof.Dr. Yunus, the pioneer of microcredit in the world, Prof.Dr. Akgül started the application of “Grameen Microcredit” in Turkey on 18th June, 2003 by providing 6 people 500 TL for each and totally 3000TL of microcredit with the use of his own pocket money as initial capital as a part of Turkish Grameen Microfinance Program within Turkey Waste Reduction Foundation. The aim of Turkish Grameen Microfinance Program is to increase the life standards of especially the poor women in rural and urban areas through income-generating activities by proving them credits. On the other hand, it is aimed to eliminate the poverty by proving the poor to own small businesses (Turkish Grameen Microfinance Program Activity Report, 2011).

Micro-credit is applied to increase the welfare levels of the poor. As well as it seems to be an organization rather for the poorest parts (Navaja, Schreiner, Meyer, Vega, 2000) 98 % level of dept return payment rates by the customers stands out as an another characteristics of this credit (jS, Jain, 1996).

Although this kind of low amount credits are accepted positively in terms of creating equal opportunities through the applications by getting the poorest and women as the target groups, the preference of many customers to turn off the previous depts by borrowing new ones causes worries and tensions in families (Rahmen, 1999). So the credits not turning into profit-generating activities in the short-term will turn into a dept spiral for credit users (Gökyay, 2008). Because as it was stated before, the users of this credit consist generally of the poorest part.

2. Micro-Credits in Turkey

Some attempts were made in 1998 to start the application of micro-credit. However, the reel applicaitons were realized with in the framework of the cooperation with Prof.Dr. Yunus in 2003. Under the leadership of Turkey Waste Reduction Foundation, Grameen Microcredit applications started firstly in Diyarbakır in order to fight against poverty. The aim in microcredit applications is to increase the life standards of especially the poor women in rural and urban areas through raising their incomes by providing them credit. Also it is aimed to reduce the poverty as much as possible by providing the poor to own small businesses. Microcredit applicaiton aims to solve the capital problems of the poor in rural and urban areas (TGMP, 2011). In the process of microcredit, rather than the women visited the credit offices, the women were visited personally. A panorama of microcredit applications in Turkey made by using TGMP (Turkish Grameen Microcredit Program) report is presented in Table 1.

Table 1: A Panaroma of Microcredits in Turkey

Rank	Info	Years				
		2011	2010	2009	2008	2007
1	Number of Branch	79	65	56	16	9
2	Number of Staff	239	210	194	124	60
3	Number of members	55.000	42.306	29.077	16.556	7.397
4	Number of members using microcredits	44.642	42.306	28.314	15.369	6.925
5	Amount of delivered credits	120.000.000	74.122.621	41.175.378	20.008.555	9.580.336

As can be observed in Table 1 9.5 million TL of credit was delivered in microcredit applicaitons in 2007. 20.0, 41.1, 74.1 and 120 millions TL of credit were delivered in 2008, 2009, 2010 and 2011 respectively. There is a steady increase in the volume of microcredit according to years. When we consider the number of branch, 9 branch number in 2007 increased to 79. While the number of staff employed to these branches was 60 in 2007, it increased to 239 in 2011.

When the number of members is considered, 7397 numbers of members in 2007 increased to 55000 in 2011 with the 643 % of increase. A similar increase is available for the users of microcredit among these members. The

number of members using microcredit in 2007-2011 period increased to 44642 from 6925 with the 544 % of increase. When we consider the results in Table 1 in general, a significant level of increases draw attention in the use of microcredit in the context of number of people and credit volume in Turkey sample. If it is considered that especially women use this credit, it can be said that these progresses are very significant in context of both the fight against poverty and the participation of women in production process.

2. Microcredits in Hakkari

In Turkey Hakkari is in the lowest rank in terms of many macro economic indicators such as development, unemployment, etc. In this respect, microcredit applications in the fight against poverty come more into question in Hakkari. When the microcredit applications are analysed in the sample of Hakkari for 2010-2013 period, 135 different groups were studied. 665 women were reached, 852.832 TL of microcredit was delivered and 108.191 TL of volunteer savings distribution was made. The amounts of credit according to years are presented in Figure 1.

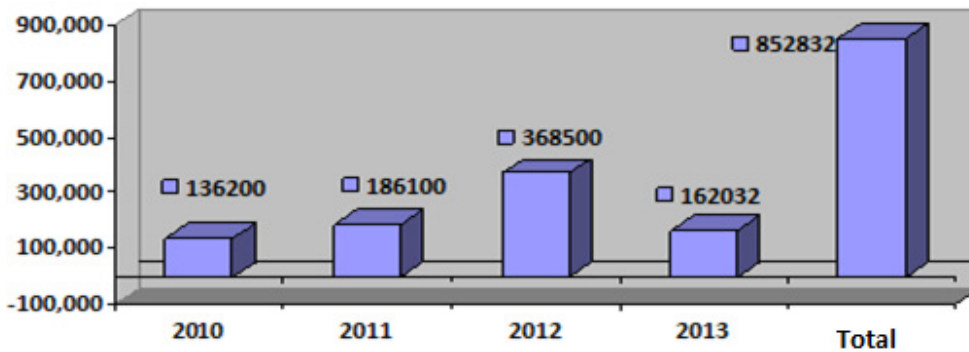


Fig. 1. Microcredits in Turkey

In microcredit application in the sample of Hakkari 100 % of return was provided. This is a very high number and it is above the average of Turkey. In related years microcredits were delivered in 10 different business lines. While 136200 TL of microcredit was delivered in 2010, this number was 368500 TL in 2012 with the increase. In 2013 it was 162032 TL in microcredit application.

Table 2: Sectoral Distribution and Number of Delivered Microcredits in Hakkari

Delivered Microcredit Field	Number People Using the Credit
Jewelry Designing	20
Textile	20
Business and Commerce	100
Branches	
Embroidery	40
Catering	2
Operating and Producing	173
Cooking	5
Making Dessert	5
Marketing Cosmetics	20
Hairdressing services	25

4. Results and policy implications

States have been trying to eliminate the poverty or minimize it, and also have been producing projects on the issue from past to present. One of these projects is the microcredit financing applications which have been practiced for about 40 years. Due to the low amounts of credits people obtain the manufacturer characteristic as microenterprises. Having their own business and supporting their household economics even if slightly by their businesses make the

poor and especially women see the life more confidently. It is also very important for the developing communities that women are included in economic life. Delivering all of the credits to women and 100 % of credit return rate are also one aspect of the issue to be analysed.

For four years microcredits have been practiced in Hakkari which is in the lowest rank in development. In 2013 about 400 women used this credit and they used about 850000 TL of credit. Even in the period of confidence loss return rate of the credit is 100 %. Some women microenterprisers made their home workshops and some of them became the shop owner due to this credit. These developments through Grameen Microfinance need the social benefits of the state to be transferred to productive ideas. Although the credit use of 400 people is not a significant number for large cities, it can be considered as a huge step for a small city. Here the question which must be essentially asked is why not more?

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